

## Message Text

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ORIGIN EA-12

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DRAFTED BY EA/K;STAFF:LKD  
APPROVED BY EA/K: MR. RICH  
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FM SECSTATE WASHDC

TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

AMEMBASSY PORT MORESBY BY POUCH

XMT AMEMBASSY PORT MORESBY

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E.O. 11652: N/A

TAGS: AORG,EFIN,XMB,BENC,KS,US,ECON,ETRD,CASC,CPAS,ESTC

SUBJECT: WEEKLY STATUS REPORT - KOREA

TO: EA - MR. HOLBROOKE

FROM: EA/K - ROBERT G. RICH, JR.

### 1. KOREA DESK STAFF CHANGES (UNCL)

WE REGRETFULLY SAY FAREWELL TO FRANZ MISCH NEXT WEEK AS FRANZ DEPARTS TO TAKE UP HIS NEW RESPONSIBILITIES IN THE POLITICAL SECTION IN SEOUL. WE ARE GLAD HE WILL CONTINUE TO BE PART OF THE TEAM. ARRIVING IN EA/K FOR DUTY ON MONDAY WILL BE DOUGLAS B. MCNEAL (FSO-5). DOUG IS COMING FROM THE POLITICAL SECTION IN SEOUL AND IS FLUENT IN THE KOREAN LANGUAGE. WE WILL FULLY UTILIZE HIS CURRENT KNOW-  
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LEDGE OF THE LOCAL SCENE IN KOREA AND HE WILL TAKE OVER THE SOUTH KOREA POLITICAL AND HUMAN RIGHTS BRIEFS FOR THE OFFICE. (RGR)

### 2. DEPARTMENT RECOMMENDS APPROVAL OF IBM COMPUTER SALE (L.O.U.)

AT THE IGHRFA MEETING JULY 12, THE WAY WAS CLEARED  
FOR COMMERCE TO APPROVE THE SALE OF AN IBM 370/148 COMPUTER

FOR THE ROK MINISTRY OF HOME AFFAIRS. IBM'S APPLICATION FOR  
AN EXPORT LICENSE HAS BEEN DELAYED SEVERAL MONTHS PENDING  
THE DEPARTMENT'S DETERMINATION OF PD-30 CONSIDERATIONS.  
OUR ACTION MAY HAVE COME TOO LATE TO MAKE THE SALE AS THE  
ROKG HAD TURNED TO JAPANESE SOURCES TO REPLACE ITS AGING  
UNIVAC COMPUTER. THE NEW SYSTEM WOULD BE USED FOR REGIS-  
TRATION OF CITIZENS; MAINTENANCE OF VITAL STATISTICS,  
SOCIAL SECURITY AND MILITARY RECORDS; MOTOR VEHICLE  
REGISTRATION; BUDGET AND PAYROLL; AND POLICE RECORDS.  
(BDP)

3. AMERICAN COMPANIES WIN IN POWER PROJECT COMPETITION  
(L.O.U.)

IN RESPONSE TO AN ROKG/KOREAN ELECTRIC COMPAN (KECO)  
REQUEST, EX-IM BANK IMPROVED THE FINANCING TERMS FOR A  
THERMAL POWER PROJECT TO SUPPORT THE SALES BIDS OF TWO  
AMERICAN FIRMS, GENERAL ELECTRIC AND COMBUSTION ENGINEER-  
ING. GE (FOR THE TURBINES) AND CE (FOR THE BOILERS) ARE  
BOTH BIDDING IN CONJUNCTION WITH HYUNDAI COMPANIES, AND  
FACED STIFF JAPANESE AND EUROPEAN COMPETITION. DESIRING  
TO PURCHASE FROM THE AMERICAN SUPPLIERS, THE ROKG AN-  
NOUNCED THAT A 15 PERCENT DOMESTIC PREFERENCE WOULD BE  
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APPLIED TO NON-NUCLEAR POWER PROJECTS, WHICH WOULD ALLOW  
KECO TO SELECT THE HYUNDAI/AMERICAN BIDS. MORE IMPOR-  
TANTLY, THIS GIVES THEM THE INSIDE TRACK TO A MUCH LARGER  
SIMILAR PROJECT. WE BELIEVE THIS IS AN EXAMPLE OF THE  
ROKG'S ATTEMPT TO ADJUST ITS TRADE BALANCE WITH ITS MAJOR  
TRADING PARTNERS, TO THE BENEFIT OF AMERICAN SUPPLIERS.  
(BDP)

4. EXPORTS CONTINUE APACE BUT INFLATION FEARS GROW  
(UNCL)

AT MID-YEAR, KOREA'S EXPORT PROGRAM IS ON SCHEDULE,  
AND DESPITE SOME GLOOMY PROGNOSTICATIONS, THERE ARE NO  
REAL REASONS TO DOUBT THAT THE 1978 TARGET OF \$12.5  
BILLION WILL BE MET. WITH PRELIMINARY DATA SHOWING A  
SIX-MONTH TOTAL OF \$5,704 MILLION, ROK EXPORTS SLIGHTLY  
EXCEED THE TARGET AND SHOW AN INCREASE OF 26 PERCENT  
OVER THE SAME PERIOD LAST YEAR. APPREHENSIONS OVER  
PROSPECTS FOR CONTINUED GROWTH IN EXPORTS STEM FROM  
INCREASED LOCAL DEMAND FOR CONSTRUCTION MATERIAL (CEMENT,  
PLYWOOD, AND STEEL REBARS), PERSISTANT INFLATION (RISING  
WAGES) AND THE ROKG'S ANTI-INFLATION MEASURES (INCREASED

CAPITAL COSTS DUE TO HIGHER INTEREST RATES). WHILE EXPORTS DO NOT APPEAR TO BE SERIOUSLY THREATENED, INFLATION IS BECOMING AN INCREASINGLY THORNY PROBLEM FOR THE

ROKG. THE GOVERNMENT REALIZES IT MUST TAKE STERN MEASURES BUT AS YET HAS NOT BEEN ABLE TO AGREE ON WHICH ARE NECESSARY OR BEST. CRITICISM IS BECOMING WIDE-SPREAD, THOUGH OFTEN PROBABLY MISTAKEN, SINCE IN A YEAR OF REAL GROWTH IN THE RANGE OF 12-14 PERCENT, CLEARLY NOT EVERYONE IS WORSE OFF. EXPECTEDLY, HARDEST HIT ARE THE LESS SKILLED, AND AS INFLATION BECOMES A GROWING POLITICAL ISSUE, SOME PROMINENT OFFICIALS MAY LOSE THEIR JOBS. (BDP)

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5. CONGRESSIONAL INTEREST AMERICAN BUSINESSMAN'S PROBLEMS IN SEOUL (L.O.U.)

CONGRESSMAN ROBERT DUNCAN (D-ORE) HAS EXPRESSED STRONG INTEREST IN PROBLEMS ENCOUNTERED BY A FRIEND WHO IS ENGAGED IN A TRADE DISPUTE WITH A KOREAN FIRM. REPORTEDLY THE TRADE DISPUTE IS ALSO IN THE HANDS OF A U.S. COURT, BUT IN THE MEANTIME THE AMERICAN BUSINESSMAN IS UNABLE TO LEAVE KOREA BECAUSE THE LOCAL FIRM HAS FILED A COMPLAINT WITH THE POLICE. EMBASSY SEOUL REPORTS OTHER RECENT INCIDENTS OF LOCAL FIRMS FILING POLICE COMPLAINTS IN CONNECTION WITH TRADE DISPUTES, AND IS REGISTERING ITS CONCERN WITH THE ROKG. WE ARE IN FREQUENT CONTACT WITH THE CONGRESSMAN'S OFFICE, THE BUSINESSMAN'S ATTORNEY, AND THE KOREAN EMBASSY. CONGRESSMAN DUNCAN PERSONALLY EXPRESSED HIS CONCERN TO AMBASSADOR KIM YESTERDAY. (BDP)

6. LATE BULLETIN (UNCL)

CONGRESSMAN FRASER'S OFFICE HAS INFORMED US THAT HE IS CIRCULATING ON THE HILL FOR SIGNATURE A LETTER TO PRESIDENT CARTER CALLING ATTENTION TO HUMAN RIGHTS ISSUES IN SOUTH KOREA. THE LETTER IS TIMED WITH REGARD TO THE REELECTION AND INAUGURATION OF PARK CHUNGHEE TO A NEW TERM AS PRESIDENT. (RGR)

CHRISTOPHER

NOTE BY OC/T: POUCHED PORT MORESBY

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## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** REPORTS, POLITICAL SUMMARIES  
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**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Subject:** WEEKLY STATUS REPORT - KOREA TO: EA - MR. HOLBROOKE FROM: EA/K - ROBERT G. RICH, JR.  
**TAGS:** AORG, EFIN, BENC, ECON, ETRD, CASC, CPAS, ESTC, KS, US, XMB  
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